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# PERPLEXITIES OF TARIFF REVISION.

BY ALBERT H. WASHBURN.

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THE attitude of the two great parties on the tariff during the Presidential campaign — one declaring “unequivocally” for revision at a special session to be called immediately after March 4th, the other through the Denver platform welcoming “the belated promise of tariff reform” made at Chicago—foreshadowed some months ago impending tariff changes. Any small margin of ante-election doubt was wholly wiped out by the choice of a President and a Congress in political accord with each other. Indeed, the official death warrant of that somewhat venerable measure known as the “Dingley Act” is now in actual preparation. Before it can be signed, however, the present tariff will have had a longer lease of life than any of its prototypes—not excepting the Walker Tariff of 1846, which remained for eleven years on the statute-books with unimportant modifications.

The fact that the main stream of our national income flows from duties upon imports makes tariff revision serious business at all times. For the fiscal year ended June 30th, 1907, which reflects fairly the growth of the past decade, our total income, excluding postal receipts, amounted to \$665,306,134.92, of which a little over half, \$333,230,126.49, consisted of customs income. The shrinkage of nearly \$60,000,000 in revenue from the same sources during the fiscal year recently ended is accounted for to the extent of approximately \$47,500,000 by the falling off in duties, notwithstanding that, of the nearly \$600,000,000 collected, something in excess of \$285,000,000 consisted of customs receipts. These figures show how largely the tariff is the keystone of our fiscal arch. They give us, too, some hint of the magnitude of the responsibility involved in any sweeping revision.

Tariff legislation is Committee legislation in its early stages; in its final stages it is largely Senate legislation. Revenue measures must originate in the legislative branch nearest the people—so runs the Constitution, and we still carefully observe the ancient forms. The Ways and Means Committee drafts the bill which is reported to the House. The preliminary work of revision is usually done some months in advance of the assembling of the enacting Congress. Public hearings are held and the Committee is flooded with advice, suggestion and recommendation, much of it of uncertain value, which is published in bulky volumes and presently consigned to oblivion, thereafter to be resurrected occasionally as an infrequent aid to a Federal court in determining what was in the legislative mind when it adopted some particularly ambiguous schedule.

It is safe to say that the work that counts in tariff building is not done in this way. From March, 1875, when Speaker Blaine retired, down to the Fifty-first Congress of "Tsar" Reed, which was elected with Harrison in 1888, the Republican party controlled the Lower House for two years only—and that was the Congress which it managed to pull through with Garfield in 1880. During the life of this Congress, a Tariff Commission, consisting of nine Commissioners taken from civil life, was appointed to gather expert information. This body travelled about the country by easy stages, visiting the great industrial centres and making copious notes of what it heard and saw. It filed with the Speaker of the House a voluminous report prepared with great care and evidently intended to inform and instruct. It is apparent from the tenor of its recommendations that the Commission hugged the delusion that a grateful Congress would make haste to enact into law the results of its toil and sacrifice, but the chief historical interest which this public document possesses lies in its total lack of resemblance to the Act of March 3rd, 1883. Then, as now, the real work was done *in camera*.

Of much more human interest, measured by practical standards, is the nature of the information supplied the Committees of the House and Senate by various tariff experts, notably members of the Board of General Appraisers. The members of this tribunal—nine in number—are clothed with original jurisdiction of all customs disputes, except those growing out of seizure. They are now vested with the powers of a United States circuit court,

enjoy practically life tenure, and determine with more or less finality the classification and value of imported merchandise. To these men, more perhaps than is generally supposed, members of the House and Senate have of late years turned for expert information concerning the different schedules.

In anticipation of coming revision, a large amount of data has been collected for the use of the House and Senate. Its quality, taken as a whole, is understood not to be altogether satisfactory, but one feature of it is probably superior to anything hitherto attempted on like occasions. Each paragraph of the tariff has been carefully annotated with all the judicial decisions construing it, and phraseology to meet these decisions (especially those adverse to the Government) has been suggested, there is excellent ground for believing, by general appraisers and other officials.

If the work of revision should halt at this point, the result, of course, would be mere patch-work. Extreme Stand-patdom may hail such a policy as the highest wisdom, but it is likely to be overruled. It is precisely at this point, however, that the preparatory tariff work shows signs of breakdown. It is now freely admitted that the interrogatories which were prepared last summer to aid our consuls and special agents in their efforts to ascertain the cost of production abroad have been singularly barren of results. Foreign manufacturers are reported to be reluctant to open up their books and analyze their costs of production, especially when the advantages to them from such a course are decidedly dubious.

Confronted by a "conspiracy of silence" abroad and by the avarice of a certain type of domestic beneficiary at home, the Committee's plight is serious, for upon the thoroughness and accuracy of this kind of information the theory of a just scale of compensatory duties rests. Moreover, if it would do its full duty, the Committee must comply with another condition quite as difficult of fulfilment. It must grope in the twilight land of modern industrial management to construe and fix the "reasonable profit" guaranteed by the Chicago platform.

All this presents one of the strongest reasons that could be advanced for the establishment of a permanent bureau of experts who shall devote their time to the study of comparative trade conditions. If protection is to continue to be the settled

national policy, the necessity for some such cog in our system is, however, very real—more pressing, even, than the altruistic demand for the creation and multiplication, at this juncture, of separate Federal courts of review. This need not involve any legislative abdication whatever. It is probable that no really scientific tariff, well balanced and consistent throughout, will ever be devised so long as we cling to the present haphazard methods. The German Conventional Tariff now in force is said to have been the outcome of five years of unlimited labor by a Government Commission which collected and classified every available scrap of expert evidence. With a task quite as herculean, and involving, from present indication, some adoption of the maximum and minimum idea, we are seeking to do the same work after a preliminary preparation of something like five months.

In one respect, the formal beginnings of revision have not been happy. The announcement the day after election of immediate public hearings was so sudden to the uninitiated and the time allotted so scant that many sceptical persons promptly concluded that the whole programme was cut and dried. It was asserted and believed in some quarters that there was to be a "bogus" revision, and that the hearings were intended to be perfunctory only. The effect of all this was to discourage, at first, the offering of testimony. It was the more unfortunate because there was not the slightest ground for supposing that a single rate had been written in the new bill or agreed upon in advance. The suggestion of phraseology by experts is quite another matter. At best, it is but recommendation, with the rates left blank. The prevalence of any wide-spread belief that the new tariff is prejudged can only hamper the Committees of the House and Senate in their task, already sufficiently hazardous, of framing a bill which shall meet reasonable public expectation.

After a bill comes out of the Committee of the Ways and Means, it runs the gauntlet of the House, which is not so formidable as it may sound. Most of the recent measures have passed after a meagreness of debate upon the merits and an absence of amendment which would indicate a striking unanimity of view, were it not the perfect flower of a system of cloture which an unwieldy membership has made possible. From the House itself, the bill goes to the Finance Committee of the Senate, which

may, if it chooses—and it sometimes chooses—retain little of the original House measure save the enacting clause. In the Senate, where debate is unlimited, the first real debate takes place. The members of the party in opposition resolve themselves into a Court of Inquisition, and proceed to inquire and discuss until they are content to give the “unanimous consent” requisite to a final vote. All the multitude of amendments which slumber unoffered for lack of opportunity on the desks of House members may be proffered here without hindrance—the great majority all in vain. Finally comes the all-important Joint Conference Committee on the part of the two branches, where there is usually much mutual recession, calling sometimes for the entire re-drafting of paragraphs and schedules to meet the criticisms and objections of the final framers. Amendments may be offered at any stage and a certain number, more or less crudely drawn, find their way into the body of the bill before it goes to conference. It is upon this Committee that is cast—with such expert aid as it cares to command, of course—the stupendous labor of sifting and comparing inconsistent provisions, restoring the nice adjustments between rates on raw materials and finished products wherever they have been disturbed, and finally grouping the paragraphs and schedules into the proper perspective. Even with this vigilance, every bill is more or less marred by inconsistency and contradiction.

The one notable exception to this method of procedure was in 1894, when the late Senator Gorman of Maryland, speaking for the Democratic malcontents who were dictating the Senate action on the bill of that year, solemnly notified Chairman Wilson and his confrères of the House that they could take the Senate bill without the dotting of an *i* or the crossing of a *t* or leave it—and the House yielded with a very wry face. The tariff measures which bear the names of McKinley and Dingley, in a lesser degree only, have the distinct Senate impress.

A few years ago, an eminent, though somewhat unfriendly, foreign critic of our institutions complained that there is no debate worthy of the name accompanying the enactment of a new tariff, that on the economic or fiscal merits hardly a thought is bestowed, and that our chief concern is to satisfy and reconcile the clamor of local interests. This criticism, like so many other superficialities, contains only a half truth. The tariff is doubt-

less more of a local question than was generally believed when General Hancock made his now famous announcement of the campaign of 1880, but no measure can be justly taxed with being entirely devoid of all sense of economic or fiscal proportion. If it were possible, of course, to found an ideal state where everybody thought alike and where there were no jarring interests, some dominating mind might very likely evolve a perfect bill. But no tariff bill can possibly be the product of one mind, no matter how dominating. It is begotten of the fierce conflict of many interests and many minds, and therefore far from perfect.

That a tariff debate does not yield much that is informing to the economic student need occasion little surprise, even to the intelligent foreign critic. Aside from a very lively appreciation of the demands of his district or State, the average member of Congress has little more real insight into the intricacies and niceties of the different paragraphs composing a schedule than has the Grand Llama, and this must be so. An apt illustration, only one of many, is found in the steel schedule. It sufficed formerly to group wire in the same paragraph with numerous other articles.

Thus we find this language in the Act of 1862:

"On steel in ingots, bars, sheets or wire, not less than one-fourth of an inch in diameter, valued at seven cents per pound or less, one-fourth of one cent per pound; valued at above seven cents per pound and not above eleven cents per pound, one-half cent per pound; valued above eleven cents per pound, and on steel wire and steel in any form, not otherwise provided for, five *per centum ad valorem*."

Here was a simple provision compared with the highly specialized separate wire paragraph of the present Act:

"137. Round iron or steel wire, not smaller than number thirteen wire gauge, one and one-fourth cents per pound; smaller than number thirteen and not smaller than number sixteen wire gauge, one and one-half cents per pound; smaller than number sixteen wire gauge, two cents per pound: provided that all the foregoing valued at more than four cents per pound shall pay forty *per centum ad valorem*. Iron or steel or other wire not specially provided for in this Act, including such as is commonly known as hat wire, or bonnet wire, crinoline wire, corset wire, needle wire, piano wire, clock wire and watch wire, whether flat or otherwise, and corset clasps, corset steels and dress steels, and sheet steel in strips, twenty-five one-thousandths of an inch thick or thinner, any of the foregoing, whether uncovered or covered with cotton, silk,

metal or other material, valued at more than four cents per pound, forty-five *per centum ad valorem*: provided that articles manufactured from iron, steel, brass or copper wire, shall pay the rate of duty imposed upon the wire used in the manufacture of such articles, and in addition thereto one and one-fourth cents per pound; except that wire rope and wire strand shall pay the maximum rate of duty which would be imposed upon any wire used in the manufacture thereof, and in addition thereto one cent per pound; and on iron or steel wire coated with zinc, tin or any other metal, two-tenths of one cent per pound in addition to the rate imposed on the wire from which it is made."

It requires but slight study to show that this provision was intended to protect the wire-drawing industry of the United States and to provide a progressive increase in duty dependent upon advancement in manufacture. Only a technical expert could have suggested the form of such a provision.

This growing complication in modern tariffs has made revision, in its details at least, more and more the work of the expert and less and less the work of the legislator himself. Indeed, it is only a corporal's guard now, with Senator Aldrich pre-eminently at its head, and a dwindling corporal's guard at that, with the passing of Mr. Dingley and Senators O. H. Platt and Allison—that may be said to be thoroughly familiar with tariff anatomy.

From the moment a bill is reported to the House and its provisions published to a waiting world, up to its last hour in conference, the interest in the outcome is intense. Some of the criticism is academic, in the sense that it proceeds from persons who are disinterested and who view a tariff as good or bad according as it approaches their ideal of protection or free trade. All this no doubt has its useful side, but has little effect upon the work in hand. Party policy having decreed the measure, party discipline is adamant.

There is quite another form of attack which is not precisely inspired in the interest of pure dogma. It proceeds with some directness and insistence from those immediately affected. When one of the most powerful of human motives—self-interest—is in action, the spectacle is not always edifying. But, after all, it is very human, for the mental attitude of men who see, or fancy they see, their business imperilled by a proposed rate of duty is hardly likely to reflect calm indifference. Manufacturer and importer alike are vitally interested, and common business pru-

dence compels them to heed every change likely to affect them directly or remotely. Neither can afford to ignore the march of events and both are more or less constantly on guard.

The forces representing domestic interests are, as a rule, the most effective and the best disciplined. They long ago learned the value of organization and intelligent concerted endeavor. Somehow, the efforts in the name of the importer are apt to be less telling. Perhaps this is partly because the importing portion of our population is not a potential force outside of New York City; perhaps its political activity is more circumscribed. Whatever the reason, the fact is undoubted.

No schedule illustrates better the truth of this than that which relates to wools and woollens. The necromancy of the "political shepherds" in any legislation affecting the tariff has long excited the admiration of the envious. Nothing suspected of containing a fibre of wool, whether in a raw or manufactured stage, escapes attention. The average rate of duty on raw wool approximates forty per cent. It is, however, not so much the rate, as burdensome as it is to many domestic woollen manufacturers who require grades of wool that cannot be grown here, which makes the importation of raw wool a doubtful enterprise. It is rather the system of progressive specifics based on value. For example, wool of a certain condition, with a foreign market value of less than twelve cents a pound, pays four cents a pound duty, while it pays seven cents a pound if worth more than twelve cents. The determination of the market value rests with the customs officials in the first instance, and with the Board of General Appraisers finally. Not infrequently a decision that the market value of such wool is a very small fractional part of a cent over, though conclusively shown to have been purchased under, twelve cents, has operated not only practically to double the duty, but also to pile up fines and penalties because of technical undervaluation so stupendous in size as to cripple, if not actually ruin, the consignee.

The word "wool," moreover, is most comprehensive in scope, and is made so by the explicit language of the tariff. For a long time skins containing patches of mocha hair which had cost more to remove than the hair was worth as a commercial commodity—the skin used in the manufacture of glove leather being the thing that was valuable—was assessed at the wool rates,

until the United States Supreme Court reversed the practice about a year ago.\*

Expressed in terms of *ad valorem* equivalents, some few of the rates on woollen manufactures exceed 150 per cent. and a numerous variety of articles take rates above 100 per cent. The average rate on manufactures of wool is estimated at about ninety per cent. This result is accomplished under the cloak of a mixed specific and *ad valorem* system, which conceals admirably many rates that are in effect prohibitory. It is a familiar principle running through most tariffs to assess merchandise according to the component material of chief value, but the provisions in the wool schedule for articles of wearing apparel of every description, and manufactures generally, wholly or in part of wool, are so adroitly worded that their drag-net provisions catch such foreign articles as cotton quilts having a fringe of wool, and even paper mottoes embroidered with wool, insignificant alike in quantity and value. There can be little doubt that the wool schedule, like the steel, will be one of the storm-centres of revision.

The revenue aspects of a tariff must always be kept constantly in view. It is, of course, axiomatic that the degree of prosperity has a marked influence upon the volume of receipts. It is perhaps unfortunate that revision follows a period of sharp, if temporary, industrial depression, and at a time when the serious falling off of revenue threatens a deficit of alarming proportions. This circumstance, while it can scarcely fail greatly to embarrass, will not of necessity defeat a thorough overhauling of existing schedules.

The party in power in its formal written platforms, and through the speeches of its recognized leaders, has often declared that it is not wedded to any particular set of schedules, but its latest pledge for revision is not necessarily to be confounded with drastic reduction. The Republican candidate, in his letter of acceptance, indicated a belief that, if some rates were too high, others were too low. It ought to be said, however, that every authoritative utterance of Mr. Taft since his election arrays him on the side of a thorough and scientific revision, wherever that may lead. It is significant that the Wilson Act of 1894, which was originally offered as a "reform"

\* 206 U. S., 194.

measure, contained many substantial advances. If the pruning-knife is to be wielded with any vigor upon schedules suspected of harboring abuses, the loss of revenue which will result from this operation must, if present conditions continue, be made up in other directions. This supposed loss will in some instances doubtless be more apparent than real, for it should be said in this connection that an examination of the annual receipts derived from the rates imposed by many paragraphs in the present act will prove conclusively that, though high, they are not revenue-producing, for the simple reason that they are in effect prohibitory. It may be accepted as absolutely certain that a substantial increase in revenue, perhaps sufficient to balance losses elsewhere, would flow from a readjustment of these prohibitory duties to a point which would permit wherever possible a reasonable volume of importation, and at the same time "equal the difference between the cost of production at home and abroad, together with a reasonable profit to American industries"—in accordance with the latest utterance of modern protection.

It is an interesting and instructive fact that political disaster has often followed quickly in the wake of a new tariff law, sweeping from the place of power the party responsible for it and terminating abruptly, for a season, if not forever, many promising careers.

These are some of the reasons which combine to make any new tariff programme unattractive, not to say extra hazardous to its sponsors. But there is an added terror. The party in power must shoulder all the responsibility for prevailing conditions, and prevailing conditions are unfavorably affected in a marked degree by agitation, much contemporary argument to the contrary notwithstanding. The mere doubt and uncertainty which obscure the immediate future are in themselves enough to halt industrial activity, and while they last business looks on paralyzed and helpless. The halt may be temporary, but the following recovery and readjustment are sometimes, for reasons not readily explained, exceedingly slow.

It is not surprising that political expediency would defer action upon such a vexed question as long as possible, and that party leaders look upon tariff revision as a kind of Pandora's box which they dread to open.

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